FELRA AND UFCW HEALTH AND WELFARE FUND

POLICY COMMITTEE MEETING

MAY 27, 2014

FELRA & UFCW HEALTH & WELFARE FUND

AGENDA

POLICY COMMITTEE MEETING

MAY 27, 2014

I. CALL TO ORDER

II. CONSULTANT'S PROPOSALS (pg. 1 – 3)
   A. HORIZON ACTUARIAL SERVICES
   B. SEGAL COMPANY

III. ATTORNEY'S REPORT

IV. 2014 PLAN XXX FULL TIME CONTRIBUTION RATES – SEGAL PROJECTION (pg. 4)

V. CIGNA RENEWAL – TABLED AT REGULAR MEETING (pg. 5 – 8)

VI. 2015 OUT OF POCKET COORDINATION – MEDICAL AND RX (pg. 9 – 10)
   A. ESI REQUEST FOR GUIDANCE

VII. NEXT MEETING DATE AND LOCATION

VIII. ADJOURNMENT

CONSULTANT'S PROPOSALS

CONSULTANT FEE COMPARISON

Fees are annual, guaranteed for 2 Years

	OPTION I (Full)	OPTION II (Exclude Projection & SOP)	OPTION III (Exclude SOP)
SEGAL	$ 92,000	$ 76,000	$ 81,000
HORIZON	$132,000	$102,000	$115,200

Notes:

Horizon fees are not inclusive of travel expense.
Segal fees include travel expense.
Segal's SOP work would be a full report one year followed by a roll forward the following, similar to Cheiron.

Standard Services

Version I

To provide the services listed in the RFP as "Standard Services," we propose an annual retainer of $92,000 for 2014 and 2015. We would include an SOP 92-6 valuation every other year with a roll forward of the liabilities to determine the required disclosure information done in the off-year. Your current actuary prepares an annual retiree report separate from the SOP. We could produce a similar report which would be outside the proposed annual retainer and we would discuss that project if the Trustees so desired.

Our experience and expertise make us the preeminent multiemployer consulting firm. Further, we work hard to be efficient and use those efficiencies to offer the best fee for each client. When selecting a consulting firm, we hope that fees never keep us from being hired. If you find that our fee is not in the range of your budget, please reach out to us. It may be that we proposed more services than are necessary in an effort to address your longer-term needs, or that there is a misinterpretation regarding possible add-on costs. Whatever the case may be, we are happy to discuss pricing with you. We want to partner with you and establish a lasting relationship of value and trust.

We will include travel costs in our annual retainer and will not bill separately for travel time associated with attending the Trustees meeting held in the mid-Atlantic.

Version II

To provide the services listed in the RFP as "Standard Services," EXCEPT those listed in paragraphs 2 and 3, we propose an annual retainer of $76,000 for 2014 and 2015.

Version III

To provide all the services listed in the RFP as "Standard Services," EXCEPT those listed in paragraph 7 (the SOP 92-6 valuation), we propose an annual retainer of $81,000 for 2014 and 2015.

Additional Services (upon request)

Our fees will be based on our standard hourly time charge rates, which are shown below. An estimate of fees can be provided for Trustee approval prior to beginning a project. In order to be most cost effective, work is performed at the lowest appropriate level and reviewed by more senior members of the team.

Fund if the meetings are conducted on the same day. If the Trustees would like us to provide any additional services for the Retiree Fund, we will be able to provide a quote for those services once we have a details on the scope of work needed. The table on the following page sets out the retainer and non-retainer services as well as which services are included in the three Options outlined below.

Option I: Based on our review of all the Standard Services listed in the RFP, we propose a monthly retainer of $11,000 for the services listed in the retainer section of the table on the following page.

Option II: Should you choose to hire Horizon Actuarial to perform all of the above Standard Services except those described in paragraphs 2 and 3 of your RFP, we propose a monthly retainer of $8,500.

Excludes:

2. "Prepare annual forecasts, reflecting the Fund's current funding level and forecasts of projected future contribution levels.
3. Calculate maintenance of benefit contribution rates annually. Review sufficiency of fixed rate contributions based on applicable bargaining agreements. Calculate COBRA Premiums rates."

Please note that any review of these forecasts or contribution rates performed by others will result in out-of-scope fees due to our professional and strict quality standards.

Option III: Should you choose to hire Horizon Actuarial to perform all of the above Standard Services except those described in paragraph 7, we propose a monthly retainer of $9,600.

Excludes:

7. "Provide calculation of ASC 965 (SOP 92-6) related liability."

These prices will be fixed for two years.

We seek reimbursement for reasonable out-of-pocket expenses incurred in performing the services. These expenses may include travel, costs related to production and the cost of other services or materials purchased from third parties in connection with this engagement.

As an investment in our relationship with you, we will not pass on any of the set-up charges we incur in transitioning the work.

2014 PLAN XXX FULL TIME CONTRIBUTION RATES

Bill Jensen

From: Priester, John [jpriester@segalco.com]
Sent: Thursday, May 08, 2014 4:56 PM
To: Bill Jensen
Cc: Heppner, Christopher; Timm, Josh
Subject: Re: Plan XXX rates

Bill,

The Plan XXX rates for the 2014 calendar year would be:

Plan XXX FT - $521.89
Plan XXX PT - $145.94

Please note that these new rates do not include projected savings for the pending prescription drug changes and dependent audit that were on the original rate sheet you attached.

Please let us know if you have any questions. Thanks!

John Priester
Segal Consulting
T 312.456.7921 | F 312.896.9364

From: Bill Jensen [mailto:billj@associated-admin.com]
Sent: Thursday, May 08, 2014 6:11 AM
To: Timm, Josh
Cc: Heppner, Christopher; Priester, John
Subject: Plan XXX rates

Josh:

In the attachment, Plan XXX rates were provided by Segal for 2015. The trustees have approved a CBA for Associated calling for participating in Plan XXX for our new hires after 1/1/14, however our new hires (Full time office workers) will commence coverage as of 5/1/14. There is also a very good chance that some of the Giant or Safeway employees who work over 28 hours will be eligible for coverage later this year, prior to 1/1/15.

Please advise if your 2015 rates included a "trend" factor, and if a 2014 MOB rate for Plan XXX should be adjusted accordingly.

Thank you.

Bill

CIGNA RENEWAL

Jason Webb
Client Manager
Cigna HealthCare
Taft-Hartley Segment

April 1, 2014

Routing 333
10490 Little Patuxent Parkway
Columbia, MD, 21044
Telephone: 240-786-8410
Jason.webb@cigna.com

Mr. Bill Jensen
Associated Administrators, Inc.
4301 Garden City Drive
Suite 201
Landover, MD 20785

RE: FELRA AND UFCW HEALTH AND WELFARE FUND 2013 RENEWAL

Dear Bill:

We have enjoy the partnership that Cigna has had with the FELRA and UFCW Health and Welfare Fund, and on behalf of our entire Taft-Hartley team, we sincerely thank you for your business.

Over the last year, CIGNA HealthCare has worked diligently to help maximize the value of the FELRA and UFCW Health and Welfare Fund's healthcare dollars. We will continue to work with the Fund's trustees to help control the Fund's total costs, while also helping to improve the health and well-being of your members.

Outlined in this letter is the Fund's renewal for the plan year beginning June 1, 2014 through May 31, 2015. .

Performance Overview & Observations

Financial Highlights (2013 vs. 2012)

- Member Enrollment: Average member enrollment decreased by 6.3%. Including members & families average enrollment decreased by 6.4%.
- Claim Costs: Decreased on Per Participants Per Year basis by 8.5%
- Key Driver: Catastrophic claims over 50,000 decreased in the current period from 46 claimants in 2012 to 42 claims in 2013
- The Top Five Diagnostic Groups: Contributed 66% of overall plan cost in the current period.
    1. Musculoskeletal
    2. Neoplasms
    3. Circulatory
    4. Gastrointestinal
    5. Respiratory
- Disease Management: 908 of the Fund's membership (including families) have been identified to have chronic conditions which could be better managed by the Your Health First disease management program. 19% or 164 of those individuals who were identified are engaged telephonically or through other modes, such as online.
- Provider Utilization: The Fund's 2013 provider utilization patterns generated over **$9.7 million in total provider discounts**. Specialty Case Management (Transplant, Oncology, etc.) **accounted for over $510,000 in savings**

JUNE 1, 2014 MEDICAL RENEWAL RATES

Based on our underwriter's projections a small inflationary fee increase of 3.1% in 2014 is requested.

ASO fees which will be guaranteed from June 1, 2014 through May 31, 2015. Therefore, the June 1, 2014 fees paid on a per employee per month basis (PEPM) will be as follows:

Network Plan	6/1/13	6/1/14
Administration Fee	$32.37	$33.33
Network access fee	$12.83	$13.28
Total Fees	$45.20	$46.61

Please refer to the June, 1 2014 claim projection which confirms a reduction in the FELRA retiree claim costs.

COMPONENTS	NETWORK PLAN
Net Paid Claims – 12 Months (3/1/12 – 2/28/13)	$11,356,609
Less Large Claims	-
Subtotal	$11,356,609
Annual Trend Factor	7.70%
Current Enrollment	1,403
Mid-Point to Midpoint # of Months	15
Applied Trend	9.72%
Projected Claims	$12,036,289
Add Large Claims	-
Total Projected Claims	$12,036,289

CIGNA HEALTHCARE SERVICES

Currently, CIGNA provides the following comprehensive services to the Fund:

- Access to our National Network of more than 1 million provider locations
- Provider Credentialing to NCQA Standards and Contract Negotiations
- Dedicated 24/7 Claims Administration and Member Services in Scranton PA Claims Offices
- Answering Claims, Benefit & Eligibility Questions, Helping Members Locate a Network Provider, Ordering an ID card, etc.
- Claims and Utilization Reporting Services via CIGNAaccess.com
- Member assistance capabilities via CIGNAaccess.com
- Predictive modeling capabilities to improve case management & disease management results
- Pre-admission certification and Continued Stay Review
- Specialty Case Management, Maternity Management, Transplant Management
- Disease Management: Cardiac, Asthma, Diabetes, Low Back Pain, COPD, Depression, Weight Complications and Targeted Conditions.
- 24-Hour Health Information Line
- Organ Transplant Centers of Excellence
- Healthy Rewards Discount program
- mycigna.com and Internet provider locator services
    - Healthwise

- Select Quality Care to choose quality providers
- Health Assessments
- Personal Records
- ID Card Preparation, Booklet Preparation
- MyCigna.com Mobile App

Opportunities & Solutions

Dental Plan
Cigna has been providing clients dental coverage for over 40 years and is a leader in providing members with access to affordable, quality dental care. Today, we provide dental services to more than 7,000 clients and over 11.5 million people across the country which includes **5000 clients** of which **60 clients are Taft-Hartley Funds & International Unions**.

Cigna's Dental PPO plan has developed two dental PPO networks, the "Radius" & "Core" networks. Our "Radius" network develops national discount savings, on average, equal to 35%-38%. The "Radius" network has grown by 32% over the past year (47% over the past 2 years) and is considered #1 in the marketplace which includes 109,000 Unique Providers and includes 327,000 Dental Access Points (all locations) providing members a good foundation for choice of quality dental care while providing substantial savings to the Fund. **Over 14,000 access points in the DC. MD, VA area**

The second dental PPO network is slightly smaller in size and is known as our "Core" network Our "Core" network develops national discount savings, on average, equal to 20%-28% and has grown 25% over the past year (29% over the past 2 years) resulting in having 186,800 Dental Access Points (all locations) representing 76,600 unique providers.

Under Cigna's Dental HMO plan which has grown significantly offers clients the greatest savings results - 30%-50% savings as compared to a standard Dental PPO plan. Cigna contracts nationally with 19,000 Unique Providers which includes 78,000 Dental Access Points (all locations) and provides members the choice of quality dental care with more limited provider access than the Dental PPO plan while providing substantial savings to the Fund. The DHMO plan achieves these savings by fully capitating primary dental care reimbursement, with more limited capitation reimbursement for specialists, and provides the remaining specialty care on a fee-for-service reimbursement basis.

A Cigna dental plan integrated with your current medical plan can result in additional claim cost savings equal to as much as 1% of claims costs and provides enhanced dental coverage for eligible members with diabetes, heart disease, and stroke.

Incentives
Incentives help to empower members to make the best available health care decision which, ultimately helps to lower medical costs for the Fund.

We recommend the board consider offering incentives to your members that will help increase member engagement within programs the FLERA and UFCW Health and Welfare Fund currently offers, as well as, incentivizing members to make healthy lifestyle choices. Cigna believes that behavior change CAN be successful and sustainable with the right motivation. We also believe motivating healthy changes are well worth the investment because the health and well-being of your members is priceless and reversing unhealthy behaviors can drive significant savings to the Fund.

Cigna can offer the following incentive solutions:

- Healthy Awards Account: The Healthy Awards Account is an incentive driven Health Reimbursement Account (HRA) that accumulates funds based on a member's participation in health improvement and/or behavior modification programs. The incentive dollars deposited to the fund are then used towards eligible out-of-pocket health care expenses.

- Motivate*Me* Incentive Online Tools: Cigna's Motivate*Me* Incentive Program delivers on Cigna's ongoing commitment to educate and empower each individual with easy to use tools and resources that support and encourage members at every touch point, online and telephonically. The newly designed Motivate*Me* online format makes it easy for your members to understand all their incentive opportunities, as well as, track their progress and rewards.

Cigna incentive programs are particularly successful because they are designed to drive sustainable behavior change. As a result, these programs lead to increased active participation in health initiatives, measurable health improvements, and medical cost savings

Next Steps

It is my pleasure to present the 2014 renewal proposal offer to the Fund and to review with you the above information. I am confident that this information will be valuable to you during discussions with the FELRA Trustees. I am available to support you when you discuss this information with the Trustees. In the meantime, please feel free to contact me with any questions you may have regarding the CIGNA's 2014 renewal offering.

Sincerely,

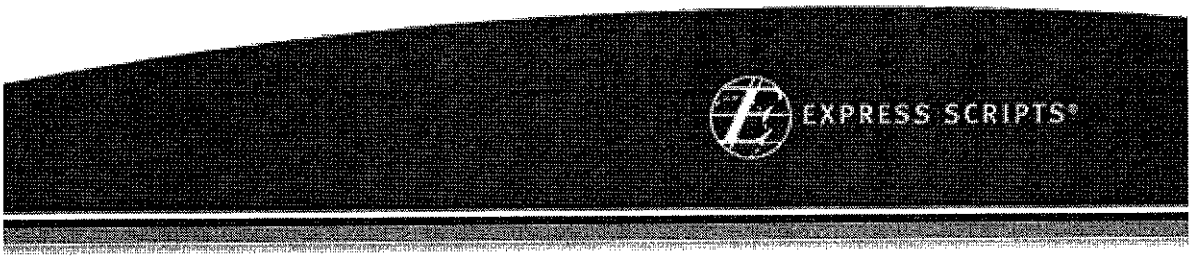
Jason Webb
Client Manager, Cigna

Cc: Laura Walsh
Kim Cicero

2015 OUT-OF POCKET
COORDINATION
MEDICAL AND RX

Bill Jensen

From: Valianatos, Michele L. (EHQ) [MLValianatos@express-scripts.com]
Sent: Friday, May 09, 2014 12:38 PM
To: Bill Jensen; Colleen Murphy
Cc: Berry-Toussaint, Debbie (TMP)
Subject: Preparing for Out-of-Pocket Maximum Requirements
Attachments: Out-of-Pocket Maximum Data Integration.pdf; Timeline to Establish a Shared OOP Maximum Accumulator.pdf



Preparing for Out-of-Pocket Maximum Requirements

Dear Bill:

For plan years on or after January 1, 2015, the Affordable Care Act (ACA) will require all non-grandfathered group health plans to count a member's OOP expenses for in-network Essential Health Benefits (EHBs) toward the annual limit, not to exceed the specified maximum annual limit.

Express Scripts is preparing to support your Out-of-Pocket (OOP) maximum requirements for the 2015 plan year. To ensure a timely and accurate implementation your OOP limits, we need to know your decision for your plan(s) by **June 2, 2014**. Please indicate which option is preferable for your benefit group(s):

- We prefer to **segregate** claims data under separate OOP maximum limits.
  - ✓ We will establish separate prescription drug and medical benefits OOP limits— provided the combined limits do not exceed the annual OOP maximum limits established under the law.
  - ✓ Separate OOP limits are an industry standard—easily established during the benefit setup period and not subject to additional charges.
  - ✓ During your benefit setup period, your account team will need to know the limits you would like to place on your prescription benefit.

- We prefer to **aggregate** all claims data toward the annual OOP maximum limit.
  - ✓ Interconnectivity is required between Express Scripts (PBM) and any vendor(s).
  - ✓ Express Scripts currently manages connectivity with more than 180 health plan partners for purposes of integrating accumulators and will leverage that capability to track OOP member-by-member expenditures as needed.
  - ✓ Your account team will work with you to solicit the necessary information to walk you through the setup process and validate your intentions for 2015. *Product charges may apply.*

To ensure we allocate the appropriate amount of time and resources, we are asking all clients to share their OOP maximum intentions by **June 2.** We anticipate managing a large volume of client requests for aggregating claims by using a phased approach, and we cannot

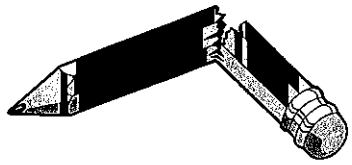
guarantee your plan design readiness for 1/1/15 unless we have your decision by **June 2**.

Please find more information in the attached ***"Timeline to Establish a Shared OOP Maximum Accumulator" and "Out-of-Pocket Maximum Data Integration"*** support documents. If you have any questions, please contact me at 617 262 1267

Sincerely,

Michele Valianatos
Senior Account Executive

[redacted]



MEETING NOTES